

APRIL 1968



Cost and Management

The Organization of an Effective Report

by Gordon J. Wood

125

Budgetary Control for First Line Supervision

by R. D. Richardson

142

Savings in Safety

by Francis C. Reif

149

Financing of Small Business

by Harold J. Egan

156

REGULAR DEPARTMENTS

Editorial Comment	121
Topical Comments	139
Profit Pointers	147
The Economic Scene	153
Books in Review	160

Official Journal of the Society of Industrial
and Cost Accountants of Canada

THE FIELD IN WHICH WE SUPPLEMENT SUCCESSFUL MANAGEMENT may be indicated by some of the areas of our activity listed below.

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Editorial Comment

Taxation Must Not Be Cumbersome

In 1774, Edmund Burke made the statement:
"To tax and to please, no more than to love and to be wise is not given to men."

One is tempted to rephrase this statement into:
"To tax and to be wise is not given to men!"

Anyone who has watched the compounding confusion which started with the re-entry of Ontario into the corporation tax field must wonder why, in addition to paying taxes, it is necessary to burden the taxpayer, and particularly the tax-paying corporations, with a diversity of tax computations based on the same taxable profit. We are talking, of course, about the profit allocation between the provinces which gained importance with the allocation formula worked out by Ontario and announced in the spring of 1957 with the clear understanding that this formula will be in complete accordance with the revised regulations of the Federal authorities and will also be accepted by Quebec. This announcement sounded logical and provided some relief to the shocked Ontario corporation taxpayers, who saw themselves suddenly settled with an additional 2% tax liability on top of an already high tax rate of 47%.

Those who have followed the developments since that time will recall that Quebec did not accept the Dominion-Ontario allocation formula, claiming, with some justification, that it had used its formula (based solely on sales) for many decades and that the Dominion-Ontario formula raised a flood of protests with its new and hard-to-digest "origin of shipment" determination.

A vivid illustration of the lack of communication between the industrial accountants and our tax legislation-drafting authorities is the statement by Dr. A. K. Eaton, Assistant Deputy Minister of Finance, Ottawa, as reproduced in the Canadian Tax Journal, January-February, 1958 issue:

"I can understand that from a strictly legalistic point of view a Court might hold that no profit arises until a sale is made and, accordingly, that profit *arises* (whatever that means — I would have said culminates) at the point of sale. This view, however, is strictly a "cash basis" approach and is obviously quite out of line with the generally accepted accrual concept of the *earning* of profits.

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Every accountant in this country would promptly lose his job if he followed this legal concept that no profit arises until a sale is made. Inventory (unsold goods) may at times account for a large part of the profit shown on company books and certified by accountants."

Any advisory committee of accountants would have been able to convince Dr. Eaton that the profit from any sale is only taken into account when the sale has been completed, i.e., has been invoiced, and that this practice is in full accord with accrual accounting. It is an accepted accounting principle not to anticipate profits and the acknowledgment of profit from a sale which is not completed would be anticipating profit. "Cash basis" would require waiting for the collection before taking the profit into account!

It was very gratifying to see that the Ontario authorities acted promptly on the strength of the protesting voices from Ontario industry and business and amended the allocation formula by eliminating the "origin of shipment" determination, reverting to the "permanent establishment" basis for allocation. It should also be acknowledged without reservation that the Federal authorities followed through and finally, although rather late, by Order-in-Council issued February 13, 1958, amended retroactive to the beginning of 1957, the Income Tax Regulations Part IV for profit allocation in accordance with Ontario. Although we find ourselves confronted again with retroactive taxation, the present solution with Ontario's equalization formula — Section 4(28d) — will be more acceptable to the Ontario corporate taxpayer than the allocation of profits for taxation purposes on three different bases and the resulting double taxation.

Industrial accountants should be continuously aware of the fact that corporations are artificial persons which are not represented in the legislature; although having no voting power, they are the most heavily taxed subjects in Canada.

If corporate business is in the unfortunate situation of being a taxpayer without being a voter, those who speak for corporate business should never cease to stress the necessity of keeping the apparently unavoidable taxation of corporations at least simple in its application and administration.

It is frustrating to find that uniformity in the taxation of corporations could not be achieved in the past in Canada. It is hard to understand why every province which found it necessary to enter the purchase tax field had to work out its own different set of rules. It is confusing and confounding to see that the Workmen's Compensation law in each province is different, although the basic needs and principles are very similar, if not the same.

Don't we have ourselves to blame that no movement has been started with the aim of unification of provincial taxation in the various field, including Workmen's Compensation?!

The corporate taxpayer serves as the collector for all these taxes and has to do the spade work for the assessment of the taxes, either free of charge or for rather insignificant commissions. Is it asking too much if one expects that this work should be kept to the minimum and not complicated unnecessarily by differences in formulae and practice, by overlapping of taxation and assessment between the provinces, resulting in the payment of, e.g., Workmen's Compensation contributions for the same worker and the same period to more than one Workmen's Compensation

Board? Here is a field for study and collective endeavour on the part of the industrial accountant, which is waiting to be tilled. The industrial accountants should offer their services in the form of advisory committees to the Federal and Provincial taxing authorities, which could and, we trust, would reduce the administrative difficulties and expense besetting the taxpayer without necessarily reducing the revenue.

PERSONALS

JAMES STEWART, R.I.A., has joined Reid Press Limited, Hamilton, Ontario, as Cost Accountant and Office Manager. Mr. Stewart was formerly with the Hamilton General Hospital as Cost Accountant.

WILLIAM BOURNE, R.I.A., has joined the London, New York, Paris Association of Fashion Ltd., St. John's, Newfoundland, as Cost Accountant. Mr. Bourne was formerly with Bowater's Nfld. Pulp & Paper Mills Ltd., Corner Brook.

G. J. VAN BUSKIRK, C.G.A., of the Toronto Chapter, has been appointed General Manager of Standard Coil Products (Canada) Limited, Toronto, Ontario. Mr. Van Buskirk was formerly Comptroller of the company.

EDWIN C. HARRIS, B. Com., C.A., R.I.A., has been awarded the Viscount Bennett Scholarship for post-graduate study in law (1958-59) by the Canadian Bar Association. Mr. Harris lectures in Advanced Cost Accounting at Dalhousie University in Halifax.

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THE ORGANIZATION OF AN EFFECTIVE REPORT*

*By Gordon J. Wood,
Assistant Professor of English,
Carleton University, Ottawa.*

Do you always say what you mean to say in your reports? Or does poor expression, faulty logic and bad organization distort the tenor of your argument? This authoritative commentary lays bare the common faults of muddled planning, imprecision, vagueness and verbosity that mar much report writing and establishes the groundwork for clearer, better and more effective expression.

I. INTRODUCTION

Spoken communication, by telephone or personal interview, has largely taken the place once so prominently occupied by the written word. Even telegrams are scarcely the written word as we ordinarily understand it, but rather a species of economical code. We visit our friends and business contacts, or telephone them, or telegraph our message. The writing of the friendly letter itself is an almost forgotten art. Yet the art of writing is like a jealous god, eager to bring ruin upon those who neglect the ancient rites.

If the personal interview, made so much more simple by modern speedy transportation and the telephone, were all that is involved in business communication, then these remarks would be quite unnecessary. Yet the increase in oral communication at the junior level in the business world is the very development which leaves the would-be executive helpless when he is finally called upon to express himself formally on paper. And sooner or later such a day of reckoning must come. He is called upon to prepare a relatively lengthy report, perhaps the first test of his ability to prove himself beyond the level of routine duties. How often he finds to his chagrin that the "muscles" of his formal expression are quite withered away from disuse. More and more criticism is being voiced at the executive level concerning the inability of younger aspirants to that height to present their written ideas in a clear, precise and coherent manner.

I have found that poor organization is the greatest barrier to be overcome by the novice. Grammar and spelling are mechanical problems overcome with the aid of a simple grammar text and a dictionary, but organization requires a talent based

* An address given at the meeting of the Ottawa Chapter of the Society of Industrial and Cost Accountants on October 10, 1957.

GORDON WOOD has taught at Carleton University for the past six years and is assistant professor of English there. Among other courses, he has lectured in Technical English at Carleton. Professor Wood has also taught at the University of New Brunswick and at Victoria College in the University of Toronto. Born in Weston, Ontario, he attended the University of Toronto, where he received his M.A. degree.

on the awareness of certain principles which demand constant practice on the part of the writer. The format of a report involves again a fairly mechanical, though variable, procedure, which I shall outline, since it is not readily accessible; but it is the organization of the main body of material of the report that will be my main concern. The principles involved may equally well be applied to lengthy letters, technical papers, speeches and theses. If, in a short space, I can make my reader see that there is a problem to be faced in the matter of organization, I have done my job and prevented him from giving birth to some shapeless mass which a hapless stenographer will have to lick into shape in her spare time.

II. THE REPORT: FORMAT

The format of a report is variable. Sometimes it is merely a routine *pro forma*. Formal reports not of that class may vary in length and complexity. I offer the most common component parts, reminding you that each of these is not always necessary and that the order may vary. Common sense is the ultimate guide.

1. *The Title Page*: title, author, to whom submitted, date (neatly arranged on the page).
2. *Covering Letter (or Letter of Transmittal)*: re-stating original authority for doing report and the problem set. Explain omissions, if any, from material covered in report.
3. *Table of Contents*: if report has more than one main section or chapter.
4. *Summary*: often placed at beginning for convenience. This is an abstract or précis of all that follows, for the use of persons who have not time to read the whole report, or who have to refresh their minds at a later date concerning its contents. Leave out all examples and illustrations. Should not exceed two to five typed pages under ordinary circumstances, no matter how long the original. Beyond this limit, it defeats its purpose. Often only one or two paragraphs in length.
5. *Introduction*: an analysis of the problem; i.e., an explanation of how it is to be approached in the body of the report.
6. *Body*: divided, if necessary, into its logical headings as chapters or sections. (This is the subject of my remarks on planning.)
7. *Conclusions and/or Recommendations*: sometimes placed after the Summary for convenience. Can be numbered for absolute clarity and easy reference.
8. *Appendix or Appendices*: if charts, diagrams, illustrations are so numerous that they would interrupt the text unduly, put them in an appendix. Grouping is possible: i.e., let Appendix II contain all charts, with reference in main text: e.g. (See Appendix II, Figure 5).
9. *Bibliography*: if deemed useful. Usually the books you have used, listed alphabetically by author, with publisher, place of publication and date. Make separate groups of books, periodical articles and pamphlets if the list is long and contains numbers of each type of reference.
e.g. (1) Jones, T. J., *Accounting*. Ryerson, Toronto, 1954.
(2) Lewis, K., "Balance Sheets", in *Essays in Accounting*. Ed. by J. Dawes. Harper's, New York, 1946.

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(3) *Study Panel in Accounting*. Ed. by W. Smithers. Methuen, London, 1953.

- N.B. (a) Underline titles of books and names of periodicals wherever you use them, here or in body of report. Place quotation marks around titles of individual essays or chapters of books.
- (b) Where author is unknown, or book is a collection of papers by various hands, insert by first letter of title in alphabetical list (See 3). If you have used only one essay from such a work, list the author and title of the essay, but also name title of book and its editor (See 2).

A few common sense decrees. Use standard-size typing paper of good quality. Type all manuscripts double-spaced, with quotations of more than one and a half lines single-spaced and slightly indented. Leave a wide margin for annotations (particularly if the manuscript is to be bound in any way for filing or library purposes).

III. THE REPORT: PROBLEM ANALYSIS AND PLANNING

There is obviously no format for problem analysis, since every problem is different. What can be communicated is the set of general principles governing it. A single problem or topic should put to you a suitably limited single question. Make sure at the outset that this requirement is fulfilled. If you are invited to address the Reno Chamber of Commerce for 20 minutes on "Canada", you have been given a hopelessly unlimited problem for the time involved, and must either toss the topic back or limit it yourself to "Canada as an American Market", or some such more reasonable subject. Again, if you are asked to write about "The Role of Canadian Industrial Accountants and Their Training", you have not been given a single topic. There are two topics involved as the title stands, and any attempt to deal with them as indicated will result in a report with a broken back. You must deal with one or the other, or else rearrange the topic so there is a single point of emphasis. e.g., "The Training of Canadian Industrial Accountants for Their Role in the Nation's Business".¹

Next you must determine exactly what it is you are being asked to do. Are you to describe a system, evaluate usefulness, compare rival techniques, outline a development, or provide some other such analysis? Do not consider subject matter until you are sure you know what your approach is to be. You may well understand a certain accounting technique, but if you are asked to evaluate its usefulness, your explanation of how it works, no matter how brilliant, is out of place.

You are usually helped in determining your approach (though not always) by a consideration of the component parts of the general type of structure under question. That is, it will be helpful in evaluating an accounting system to know what the

(1) If you are forced into doing a report on more than one problem, deal with each problem separately in your mind. But remember that some report themes will be assigned with the main headings already indicated to ensure adequate treatment on your part. e.g., "Report on Jonesville as a site for a branch agency. Cover our volume of business in the district, tax rates and construction costs." In this case the last three points are simply the ready-made analysis of the problem involved in choosing a site. The first sentence is the title of the report.

general criteria are for judging the worth of any such system.² Again, to take a simple example, if you are asked to describe a lead pencil, the two natural headings of wooden sheath and lead core suggest themselves. By avoiding specific details until you have established the true and logical analysis of your problem, you prevent yourself from being misled by the more startling or interesting aspects of the individual case. You will not be carried away by the time-saving element of your accounting system or by the variety of colours and leads available in the lead pencil. If you cannot see that colour is a quite subordinate aspect of the wooden sheath, and must be kept so, you will produce a very misshapen and incoherent report indeed. Thus problem analysis is a combination of determining what you are really being asked and what tentative major headings are required to provide a clear, comprehensive and coherent approach to the problem.

The written plan is the result of your analysis, following some initial research. It sets forth in greater detail the headings under which you are going to treat your subject matter. Again, these are not artificial and arbitrary; they are the logical and natural parts of the problem, set forth as they may be most clearly followed and understood by the reader. Not only does the plan provide an orderly outline, but it also indicates roughly the proportion of your paper to be devoted to each aspect. If you start to assemble a welter of relevant facts without first establishing a control, you will be in the greatest danger of incoherence. A description of the human body which sets out to list every hair, nerve fibre and blood cell (all relevant, in one sense of the word) would result in a huge, indigestible mass of fact which no mind could grasp. There would be left in the reader's mind, not a picture of the body as we know it, but rather the image of some vast cosmological monster of infinite parts and proportions. In contrast, a plan dividing the topic into such natural main headings as torso, limbs and head would serve as a controlling guide; under each of these headings a repeated group of parallel sub-headings such as bone structure, blood system and nervous system would keep the system of your analysis clear in your reader's mind and restrain you in your choice of detail.

To keep on the right track while you are constructing your plan, preface it with a thesis sentence which sums up the single total idea that you wish to put across in your report. It ought not to be so general that it serves no useful purpose. e.g., "The Jones Accounting System is useful". Rather, it should give some indication of how you are going to approach the topic. e.g. "The Jones Accounting System is economical in terms of cost and time." Note that if the plan is to have unity there can be only one main subject and verb in the thesis sentence. Here the main approach is to be from the point of view of economy, under which there will be the two headings of cost and operating time. As indicated earlier, a double or compound sentence indicates a split purpose and must either be treated as two separate reports or else restated to make one aspect the predominant or guiding idea. e.g. "This report will explain the Jones System of Accounting and describe how it is working out in the Smithers Corporation." Here it would be advantageous to restate the topic, emphasizing the explanation: "This report will explain the Jones System of

(²) *Consumer Reports* is a magazine which offers valuable illustrations of how criteria are established for a general object (e.g., a portable typewriter, a car), after which specific brands are examined according to these established standards of judgment.

Accounting, with illustrations drawn from its operation in the Smithers Corporation." Thus practical examples will clarify the principles of the system (and vice versa) as you go along, but your guiding purpose will be to explain the system.

A reasonable procedure, therefore, at this early stage, would involve analyzing your problem, doing some preliminary investigation, checking your initial analysis in the light of your available material, writing a thesis sentence and making your plan. Four or five main headings are usually most satisfactory in constructing a plan. Fewer are possible in a very brief report, while more would suggest a high degree of complexity. Simple abundance of material does not necessarily breed main headings. For instance, no matter how many details are needed to explain the time-saving aspects of the Jones System, still the main heading would be, "Economy in Time of Operation". The details would be arranged underneath in suitable sub-headings.

Main headings can represent anything from paragraphs to chapters of a book. Each of them can become, in turn, a subordinate title, for which you repeat your process of analysis, determining whether or not it ought to be broken down into further logical parts. e.g., under the main heading, "The Pencil: Wooden Sheath", there would be sub-headings related to materials used, dimensions, etc. Under materials used, there would be further sub-headings naming the various kinds of wood used in pencil manufacture, and finally, under each kind of wood, there might be sub-headings outlining the good and bad qualities of each. Thus a very detailed report on the physical aspects of the simple lead pencil might entail in part such an organization as this:

THE LEAD PENCIL

Thesis Sentence: This report will describe the chief physical characteristics of the two parts of the simple lead pencil.

- I. Introduction: General overall appearance (diagram).
II. The Wooden Sheath (a main heading)

A. Materials Used

1. Birch

- (a) Favourable qualities
(i)
(ii)

(sub-headings at diminishing levels)

(b) Adverse Qualities

- (i)
(ii)

2. Oak

Etc., as above

B. Normal Dimensions (Length, diameter, thickness)

C. Finish

III. The Lead Core

(possibly same major sub-headings (A, B and C) above)

I have broken down only one main heading. The others would be treated the same way. Remember that the various headings are guides only. They do not necessarily represent whole paragraphs or sections of the report. Indeed, if they break down into sub-headings, it is the sub-headings that indicate the actual material of the report, while the main heading becomes a mere title. For instance, note how Section II above might be briefly set forth:

The wooden sheath of the lead pencil may be manufactured from two kinds of wood, birch or oak. Birch offers easier handling at the manufacturing level, is less expensive than most woods, and supplies a lightness of weight often preferred in a pencil. However it is not durable under rough usage, and tends to splinter if, etc.

Note how the lowest sub-headings represent the detail which constitutes the *body* of what is to be said about the materials of the wooden sheath. If, however, under II. B., there were only one set of dimensions in a world of pencils of identical size, then there could be no sub-headings, and that heading would represent all there is to be covered.

Note that there is never a single sub-heading at any given level. That is, II. B. itself is actually one of three main aspects of the wooden sheath (A, B, and C). You cannot divide a heading into ONE, any more than you can cut a piece of pie into one. Either a heading at any level will divide into two or more parts or it will not divide at all, as in the case of the identical dimensions. If you seem to be led into a single sub-heading you will be undoubtedly wrong; your logic is at fault.

e.g. III. The Jones System

A. Its Economic Advantages

IV. The Smith System

The sub-heading III. A. means that this is all you are going to have to say about the Jones System. You have divided the Jones System into one. Therefore, the main heading should have been, "The Economic Advantages of the Jones System". Otherwise you might be tempted to believe that III means to describe the system and III. A. means to discuss its advantages. But if this were so, then there would have been two sub-headings to cover the aspects of the system which you intend to discuss.

III. The Jones System

A. Description

B. Economic Advantages

Thus: (a) When a heading at any level has sub-headings, the heading becomes merely a title, and the sub-headings list those aspects of that title which you intend to discuss.

(b) If there is a I, there must be a II; if there is an A, there must be a B; etc. These symbols represent *division*, and division implies "more than one part".

Fortunately, there are several standard types of plan into which your material may fit. The following classifications may help you in the disposal of your material. The mixed plan (type 6) is the commonest, but also, unfortunately, the most diffi-

cult to handle, since it may involve any or all of the others. Read carefully now and hope for the best!

(1) THE TOPICAL PLAN

This is perhaps the simplest type of plan. It indicates that your subject has several separate topics or aspects of equal or at least parallel importance. These you deal with one by one, but they are usually not interrelated to any great degree. Each is related only to the title. Hence this type of plan sacrifices continuity, or logical development. Its logic lies in your correct analysis of the main aspects to be covered. Here, and in the subsequent sections, I shall outline brief main headings as examples.

The Wilson Factory

- I. Location
- II. Structure and Dimensions
- III. Installations
- IV. Personnel
- V. Financial Status

These are not interrelated topics, but they are *all* main aspects required by the reader for an understanding of the factory. Note that such topics as distance from raw materials, distance from shipping facilities, sewage and electrical facilities, etc., would *not* be main headings, but belong under the single main heading "Location". It is a firm awareness of logical grouping that is so important in this type of report, in order to prevent a shapeless string of incoherent detail, each segment vying for undeserved prominence.

(2) THE CHRONOLOGICAL PLAN

This is a fairly fool-proof scheme if you are to explain an historical development or the steps of a process. Simply take your main points in chronological order. But remember to allow *NO* other types of heading to interfere.

How to Operate the X Machine

- I. Assembling the Parts
- II. Feeding the Raw Material
- III. Adjusting the Pattern Dies
- IV. Finishing the Product

This sketchy outline of the operation of a very mysterious machine demonstrates the chronological principle. Each heading moves the reader on to a new step in the process. However, if a heading had been introduced after II. concerning "Disposal of Waste Material at a Profit", you can see that no matter how interesting such a digression might be, it is still a digression; it not only interrupts the continuity of the report but introduces a topic which has nothing to do with the operation of the machine. "Off Subject", would be your critic's remark.

(3) THE ORGANIZATIONAL OR SPATIAL PLAN

Sometimes you may wish to describe the organization of a firm, department by

department; a building, room by room; a machine, part by part; the economy of a country, region by region or business by business. The spatial arrangement (a breakdown by sections physical or organizational) of such a type will be your guide. Often you can add further coherence and continuity by discussing each main heading under repeated or parallel sub-headings. That is, in an analysis of Ontario's economic prospects, you might discuss agricultural, industrial and natural economies for each separate region:

Ontario's Economic Prospects

- I. South-Western Ontario
 - A. Agricultural Economy
 - B. Industrial Economy
 - C. Natural Resources
- II. Eastern Ontario
 - (as above)

Note how easily this type of subject can be controlled. There will be obvious further breakdowns to cover the usual divisions of each of the economies, such as dairy, cereal and livestock at the agricultural level.

(4) THE CAUSAL PLAN

This may be a report simply listing the causes of a given situation (again, not an interrelated organization, since each cause will refer back to the title and not to the preceding heading). Or, it may be a more complex structure, outlining a linked series of cause and effect, as in a survey explaining why changes are recommended in a firm. This type may seem chronological as well, but the writer's eye is on *reasons* primarily, not on the order of events. The latter may be ignored in order to gain emphasis.

The Proposal for Changing Our Accounting System

- I. Our Present System
 - A. Original Reasons for Adopting It
 - B. Why It No Longer Works Efficiently
- II. How the New Proposal Would Overcome Our Difficulties
- III. Future Benefits from the Altered System.

Note that each heading is a cause of the subsequent heading. Evaluations are often best worked out in this form, since the reasons why an object was first put to use may yield a clue as to why it is no longer useful. Habit sometimes blinds us when we attempt to determine the really essential in familiar structures.

(5) THE COMPARATIVE PLAN

Unlike the literary essay, the technical report dealing with comparison is best handled by discussing separately the necessary aspects of each structure to be compared. Introduce your comparative evaluation at the end. You must use the same headings for each of the compared structures, for it would be unfair and useless to

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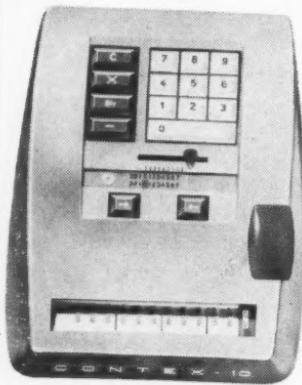
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describe the advantages of one system in terms of labour involved and the other in terms of financial profit. *Like elements* must be the subject of comparison or contrast.

A Comparison of the Jones and Smith Systems

- I. The Jones System
 - A. Labour Involved
 - B. Economic Advantages
- II. The Smith System
 - A. Labour Involved
 - B. Economic Advantages
- III. Comparative Evaluation
 - A. Labour Involved
 - B. Economic Advantages
- IV. Concluding Recommendations

(6) THE MIXED PLAN

Plans may be a mixture of the above types, but must never be mixed under the same heading. That is, under a chronological scheme outlining the steps of a process, *all the main headings* would have to be chronological, but under one of those headings you might have a parallel group of topical sub-headings, and under another a division into spatial sub-headings.

e.g. from a plan on *Building a Cottage*

- (Step) IV. The Outside Walls
- A. Preparation
 - 1. Materials needed
 - 2. Tools needed
 - B. Technique
 - 1. Trimming the fibre-board sheets
 - 2. Fitting fibre-board sheets to uprights
 - (a) Centre Sheets
 - (b) End or corner sheets

I am no authority on cottage building, as is probably now manifest, but perhaps my point is clear. IV is the main heading for one step of a chronological process. All the other main headings would also represent steps of the process. A. and B. are both chronological divisions of the main heading. 1 and 2 under A are both topical sub-headings, separate aspects of preparation, not chronologically related. 1 and 2 under B are both chronological, the details of the technique; (a) and (b) under B. 2 are both spatial, explaining the different process at different places on the building. (Supposing that either the ends or the centre could be finished first, then the distinction is really one of location, not of chronological order.)

My main point is that *in any given group of sub-headings only one type of plan*

is used: in A and B, chronological; in A. 1 and A. 2 topical; in B. 2 (a) and (b), spatial. The plan as a whole, therefore, is a mixed plan, but *at any one level* the headings or sub-headings are of the same type. If the above writer were to move from a list of materials needed (topical) to a discussion of *where* the necessary tools may be bought (spatial), the *direction* of the main argument is lost, and also the writer is off subject. The tool market is not directly involved in the construction of a cottage. Keep the same approach, or point of view, at any given level.

A *mixed plan* is acceptable and often necessary when there are detailed sub-headings. A *confused plan* is a disaster; it results from shifting your point of view (changing types in mid-stream, as above), from introducing irrelevant material, or from failing to put the proper material in proper order. The latter two sins could be illustrated by inserting in the above plan an explanation of why you like cottages (irrelevant), or by listing materials and tools after technique (confused order).

Yet unthinking writers accomplish just this sort of confusion in far more complex subjects. Because they know a system well themselves, they forget to plan a readable explanation, and proceed haphazardly to explain how other people go wrong, how to avoid these errors, why certain ledgers are used, how to check entries, how entries used to be checked in days gone by . . . like the boy who set out to give a technical explanation of the colour red and ended up discussing winter underwear and the evils of Communism. The color red was still involved, but somewhere along the way he and his listeners must have become terribly confused.

Always check your plan to make sure that you have developed it consistently and logically, and that you have introduced nothing that does not have a direct bearing on your title and thesis sentence.

IV. THE REPORT: STYLE AS AN ELEMENT OF ORGANIZATION

Many faults of style are actually errors in organization at the level of paragraph or sentence. If a sentence "sounds wrong", the error may not be in grammar but in your failure to say what you mean; i.e., in expression, or organization of ideas. For instance, both the following sentences are grammatically correct:

- (a) Although I was prepared to speak, *he prevented me*.
- (b) Although *he prevented me*, *I was prepared to speak*.

Yet only one of these can be correctly used, depending on the context. If the writer is going on to explain *how and why* he was prevented, then (a) is correct. The idea of being prevented is the main idea, and will lead logically into an enumeration of the reasons for the prevention. However, if the writer is going on to explain what he *would have said*, then (b) is correct, since the main clause emphasizes the point that he wanted to speak and suggests that the next sentence will elaborate on what he intended to say. All that is required to correct this type of weakness is careful revision, a check to ensure that you have expressed your meaning as clearly and precisely as possible. Otherwise, this species of fault, and those below, can produce a strangely opaque and turgid report which will not yield the source of its weakness to grammatical analysis, for it will be grammatically correct. A clear,

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comprehension of what you *really intended* to say is the only cure.

The following is a list of some of the more common stylistic errors, an abundance of which can obliterate the value of even the best-laid plan.

(1) *Long, confused sentences.* The meaning is lost.

e.g. "If you fill in form B before completing form A, which is used only in cases where there has been no sale, except for free gifts, you must make a cross-entry on form C, which is a register of all releases of merchandise, whereas Form B includes only foreign transactions."

In this sentence there is description and chronological action hopelessly confused. Keep them separate and orderly.

"Form A is used in cases where there has been no sale, excluding free gifts. Form B is a register of all foreign transactions. Form C registers all release of merchandise. If you fill in form B before completing Form A, make a cross entry on Form C."

Not elegant, I admit, but certainly clearer!

(2) *Primer style.* The short corrected sentences above keep separate ideas apart. However, do not chop related parts of a single idea into a series of monotonous and bewildering short sentences.

e.g. "Make this entry first. You avoid incorrect totals this way. It goes into accounts receivable."

Better: "By making this entry first under accounts receivable, you avoid incorrect totals."

OR: "To avoid incorrect totals, make this entry first under accounts receivable."

(3) *Technical jargon.* Dr. Johnson, perhaps in jest, defined "network" in his dictionary as "anything reticulated or decussated at equal intervals, with interstices between the intersections". Remember that the simple, concrete word is always best. Don't be a verbal exhibitionist!

(4) *Padding, or wordiness.*

e.g. "Information was recently received by our shipping department that because of the fact that raw materials were in short supply, it is understood that the order is to be cancelled." (30 words)

Better: "Our shipping department was recently informed that because of a shortage of raw materials the order is to be cancelled." (20 words)

"Scaffolding" fills the page but fogs the mind.

(5) *Faulty logical structure.* You might say to your wife, "I was down in the basement and I caught a chill". She would understand what you meant, but you have not really said what you meant. As it stands, the sentence says only that you have accomplished two things: a trip to the basement and (possibly elsewhere) the acquisition of a chill. You meant, of course, that one was the result of the other, or that one happened in a time relationship to the other. "While I was in the basement, I caught a chill." Or, "Because I was in the basement, I caught a chill."

This error can cause serious trouble in a report dealing with less familiar sets of circumstances: "Use this form and maintain a duplicate set of accounts." This

sentence could mean that you ought to use the form and *also* maintain a set of duplicates, or that by using this form you will provide yourself with a duplicate set of accounts. In the first case, the words "in addition" or "also" are necessary for clarity; in the second case, the sentence should have read: "By using this form, you are provided with a duplicate set of accounts." Something which was very clear and simple in your mind has not been precisely stated at all.

Another example of this type of error will serve to emphasize the necessity of reading over what you have written.

"I studied advanced accounting for two weeks, special cases of industrial accounting for one week, and accounting theory for one week."

This man really stated that he took a four week course, but he meant that he had taken a two week course in advanced accounting, consisting of the two elements subsequently specified. The spoken word would have indicated the difference through tone, but the written word cannot do so. The faults such as these have technical names and explanations, but in reality the basic sin is sloppy thinking and careless revision. Organization must be checked carefully, right from the plan as a whole down to the individual sentence and phrase.⁸

V. CONCLUSION

You will have noted that throughout these remarks I have emphasized clarity, precision and coherence. These are the marks of formal expression in technical writing, and they are the reward of care and practice. Organization of material into plans, paragraphs, sentences, phrases, means expressing your ideas the *correct* way, which is really only the natural way. In cosy chats we take advantage of tone and gesture, and the chance of repetition when the brow of the listener furrows. In the written word we must say what we mean for once and for all. There is no magic formula for success. As usual, the answer is the same as in every other worthy endeavour — painstaking exercise of the muscles of the mind!

(⁸) There are now on the market numerous paper-bound guides to grammar and composition, clear thinking, report and letter writing, and general business English. Those stores specializing in paper-bound books will be certain to have books of use to you in these fields.

For further reading

ORGANIZING AND ADMINISTERING THE REPORTING FUNCTION, by David Moffit, The Management Review, February 1958.

WAS YOUR REPORT STRUCTURE BUILT OR DID IT HAPPEN? by R. F. Neuschel, N.A.C.A. Bulletin, November 1956.

METHODS AND FORMS OF REPORTING, by Albert J. Bows, N.A.A. Bulletin, September 1957.

PAYNE, PATTON & PUGSLEY CHARTERED ACCOUNTANTS

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LOOKING AHEAD

Submarine oil tankers are a possibility. Designs for 100,000-ton underwater carriers are on the drawing boards. Weather will be no problem and costly delays will thus be avoided.

By 1980 personal spending on consumer goods and services will be three times the average of 1952-55. Per capita consumer spending will be 76% higher. Personal saving will be about the same proportion.

Disposable income high for '58 says a recent report by the Canadian Chamber of Commerce. The consumer has money and it will be up to business to entice him to spend it. (Taxes have lowered and money made easier to get.) In broad terms, 1958 is likely to be a year when economic activity will fall below 1957. Businessmen should look upon it as a year of challenge and opportunity.

House sales boom in 1958. Sales of new houses should be at least 10% better than last year. 80% of the real estate boards agree that '58 will be better than last year. Slight increases in costs can be anticipated.

Canadian Steel Makers are operating at 75% of capacity compared to 54% in the U.S. Manufacturers' steel inventories are low at the moment which means more Canadian steel orders.

ON THE PERSONAL SIDE

Student Aid at the university level is about 10 million per annum. About 27,400 undergraduate and graduate students receive assistance.

- 60% is provided by governments, 13.4% by industry, 10.6% by private individuals and the balance from miscellaneous sources.
- On a national average, assistance is available to 21.3% of the undergraduates to the extent of 38.8% of their basic costs.

More married women are at work than ever before . . . 288,000 in 1946, 600,000 now.

Sail now — pay later plan is being explored by one of the major trans-Atlantic lines. Banks would handle the credit and collection arrangements for the steamship companies.

Wild bovines may now be safely and quickly subdued by farmers with a tranquilizer gun. The gun has a range of 50 yards and shoots syringes full of vaccines, antibiotics and tranquilizers.

Domestic pets cost money. Some recent statistics on keeping pets show an average cost per annum of \$78 for a dog, \$11.68 per cat. Dog population numbers 23 million and accounts for \$1.8 billion a year. Some 28 million cats cost only 327 million.

Rug Shampoo—a new rug cleaner built like a carpet sweeper is now on the market. The detergent is carried in a plastic tank and is controlled by a button on the handle.

Portable air conditioner will be available this year. Specially designed interior and exterior grilles permit cooling and heating a room.

OF GENERAL INTEREST

GOVERNMENT EMPLOYEES

- There are about 460,000 people on the federal payroll.
- 185,000 are federal employees proper — 120,000 are in the armed forces, 5,000 in the RCMP and 150,000 in government-owned businesses and CNR, TCA, Polymer etc.
- About 40,000 of the total 185,000 true civil servants are casual help on part time.
- About 10,000 of the total are university graduates.
- Pay scales are at or about industry levels.
- Fringe benefits are quite good. Cheap insurance and generous pension plans are available.
- Applications for employment are about 10 times the number of jobs open. All jobs must be offered for open competition to the public.

This Cost Cutting Business

A new splurge of bigger and better cost cutting, cost reduction, cost improvement, or however you wish to call it, programs are in effect.

The current recession has undoubtedly sharpened management's interest in controlling and reducing the fat overhead structures that grew in the post war period.

Here are some of the ways and means, effects and techniques:

- A large aircraft company in the U.S. decreed an arbitrary 25% in non-labour costs. Methods ranged from 5% reductions in staff personnel and cutting of inventories to publishing house organs less frequently.
- Other firms take the austerity approach for a couple of months. You agree to buy nothing for 60 days except bare necessities.
- Capital spending should be examined closely for here, in terms of future charges against revenue is the most readily controlled of all costs.
- Other devices are cutting of long distance phone bills by 50%; the supply return days — to root out unused pencils and paper clips etc. Some of these moves are, of course, less significant as cost cutters and more psychological.
- The paper war invites many companies to cut costs. One company reports 2,150 separate and distinct paper work steps in their so-called production control system.
- Many companies, instead of accelerating I.D.P. are deferring it for the simple reason that it often takes as long as five years to pay off.
- Production and the actual goods produced have not escaped. Value analysis of components in consumer goods is the way in which a prominent electrical company attacks high costs. This method calls for minute examination of each com-

ponent used in manufacture for possible cheaper substitution while maintaining quality.

- On the grand strategy scale, many companies are closing out inefficient plants and processes and dropping unprofitable lines of goods.
- Most corporations agree that inefficient staff and poor planning are two tremendous areas for improvement.
- One large corporation's personnel directors believe in holding wages even to the extent of incurring strikes.
- Among the more productive ways is the institution of cost cutting programs with incentives and techniques orientation, among technical staff and supervisory groups.
- One humorist has said the entire business is that any corporation, after sailing the industrial seas over a number of years, simply must scrape off the barnacles which it has accumulated on its corporate bottom.

This consumer market is changing. For example:

- In pre-war days, the suburbs were occupied by the wealthy. Today, 30% of families with incomes over \$4,000 live there.
- Most people have a fairly full quota of the new gadgets. The really big market is replacement.
- Selling will get considerably more difficult.
- The number of new buyers entering the market is smaller than for some time. The middle age group are to a point situated and will probably be purchasing hard goods less and less and services more and more. The more we have the more we want, is not necessarily true.
- The department store will stage a big comeback and replace the discount house as we know it.
- Location will be the key to success for all retailing organizations in the future. The shopping centres will follow the people to the suburbs.
- Marketing technique will be more and more concerned with precisely how many people do this or that, or want this or that.

CANADIAN - U.S. ECONOMIC RELATIONS

At present a matter of deep concern to all thinking people in the two countries, "Canadian-United States Economic Relations" is the subject of a book by that name now offered by the Queen's Printer.

Written by economists Irving Brecher and S. S. Reisman, this volume is one of a series of studies resulting from the research of the Gordon Commission on Canada's Economic Prospects. The book aims at determining the impact of American influence on the Canadian economy through various studies, ranging from an examination of Canada's trade and foreign investment in Canada to a study of mass communications in Canada. Also dealt with at length is the importance of the international trade union, as well as innumerable economic and social organizations — stock exchanges, trade associations, investment funds and the like; universities, research institutes, medical facilities and educational foundations.

At \$4.00 per copy, this highly-readable book belongs on the bookshelf of every student of international affairs.

BUDGETARY CONTROL FOR FIRST LINE SUPERVISION*

By R. D. Richardson,
Manager, Finance, Apparatus Department,
Canadian General Electric Company Limited,
Peterborough, Ontario.

As business becomes more competitive, employee participation in the enterprise assumes much greater importance. Besides other obvious advantages, the budget which has been carefully adapted to the foreman's needs can help to win his co-operation and enthusiastic participation. This article shows how key principles of the master budget apply at the supervisory level.

Several years ago, our company carried out a major reorganization which decentralized operations into a number of self-contained businesses, to which profit responsibility was delegated. Under this form of organization, budgetary control quickly became an integral part of our administrative way of life.

During the past two years we have intensified our activities on budgetary control, particularly as related to the first line level of supervision. In this paper I will try to show whether key principles of budgeting for the overall business apply at all levels of the organization or if changes or modifications are necessary at the foreman level. Incidentally, for ease of reference, I will use the term foreman interchangeably with the term first line level of supervision.

ORGANIZE A BUDGET PROGRAM ORIENTED TO THE FOREMAN'S NEEDS

In an earlier paper¹ dealing with budgetary control for the overall business, I stressed the need to "organize a budget program" with a carefully designed system, a set of clear instructions and a time schedule for completion of each step in the budget process.

At the level of first line supervision, this point cannot be over-emphasized. Foremen may not be trained accountants but they are usually eager to learn and quick to question. They expect the vehicle for measurement of their performance to be accurate. The plan should be imaginative and have some colour but it must be soundly based and able to withstand some fairly stiff challenges.

* An address to the Toronto Chapter of the Society of Industrial and Cost Accountants given on February 13, 1958.

(¹) *Management, Planning and Control Through Budgets*, Cost and Management September 1957.

Born and educated in Toronto, Mr. Richardson joined the Canadian General Electric Company Limited in 1940 and is now financial manager of the company's large apparatus operation with headquarters at Peterborough, Ontario. He has held senior financial posts in both the consumer and producer goods fields in several plants and at head office and has participated actively in the company's reorganization work of recent years.

It is also most important that the system be designed to meet the special needs of the men using it. It is often advisable that the budget plan be conceived from the premise that the supervisor is the head of a small business. However, it is essential that his perspective be that of a man charged with the responsibility for the productivity of his staff, his machines and his efficient use of materials and supplies. There is no place in the system for accounting parochialism. No one could be more intolerant of this than foremen and too often in the past with just cause.

The program must be strongly oriented to the needs of first line supervision.

USE BUDGET SPECIALISTS TRAINED TO WORK WITH FOREMEN

At the level of first line supervision, it is most important to assign men full time to the job of budget co-ordination, at least until techniques have been refined and a large measure of budgeting skill and knowledge established.

Even more important, the men assigned to the work must be able to meet the foreman on common ground. They should understand the nature of the foreman's responsibilities and problems. They must always demonstrate a willingness to serve and must be prepared to help him with explanations and detailed analyses on short notice. They should make it a rule to set an example of frankness, which dispels suspicion. The task of installing a system will be made much easier if the co-ordinators try to win the confidence of the foremen at the outset.

TIE IN FOREMAN BUDGETS WITH BUSINESS AIMS BUT BE FLEXIBLE

A principle of budgeting for the overall business is that budget factors should be tied in with each other, with profit objectives for the business, with the mechanics of the regular reporting system and with regular financial periods. Another related point is that master budgets should not be changed.

Budget tie-ins should apply at all levels of budgeting activity. They are important control mechanisms and have the psychological effect of helping the foreman identify himself with the sales, production and profit objectives of the overall business. Every reasonable effort should be made to show that such tie-ins exist and to explain how they work.

On the other hand, considerably greater freedom to depart from tie-ins should exist at the level of first line supervision than can be allowed in the case of the overall budget. Nothing can be more harmful to a program than stubborn and rigid insistence that every objective at every level must add up at all times to the objectives for the overall business. The secret here is to use order-of-magnitude judgment, applying flexibility where the effect of departure will not be serious.

Facetious as it may sound, any budget can be met if it is changed to agree with actual results. We do not advocate changing the master budget unless conditions change so drastically that the objectives for sales, profit and return on investment get so far out of phase with actual results that the value of comparison is largely destroyed.

However, changed conditions will have a sharper effect at the foreman level. It is much harder for the foreman to understand that allowance for changed conditions will be made in appraising his budget performance than it is for more senior members of management, who have learned that good judgment must be

exercised in appraising or comparing actual budget results. It is advisable to reassure first line supervisors by providing for budget change, as long as the frequency of change is not unreasonable.

USE VARIABLE BUDGETS

A better way to provide for changed conditions than to change the budgets is to use variable budgets. In most cases, variable budgets established in advance for varying levels of activity will give enough flexibility to avoid costly and confusing budget revision each time billing volume or factory loadings change.

An important point to remember when establishing variable expense budgets is that there are no satisfactory short cuts. There seems to be a tendency to try to find some magic formula for establishing expense standards for varying levels of activity. The time spent in this effort can be much better employed in working through the detail of the expense item-by-item.

Because of the great many items included, this is usually a major task, particularly in indirect manufacturing expenses. Establishing standards will also be difficult and many of these will have to be educated guesses. However, once it is faced up to and inertia overcome, the job has a mysterious way of getting itself done.

In addition to the fact that variable budgets established on this basis can be expected to be more accurate, some important side advantages are provided. The systematic review of detail will often disclose enough soft spots, requiring immediate management action, to alone justify the time and effort involved. The supervisors will obtain a detailed picture of their operations and often some eye-opening revelations about the cost of supplies, tools, and services which they use each day. Moreover, once the detail is worked through, the job need not be done again, merely reviewed at the next budget period.

In budgeting for the overall business, sales and production are the most important of all budget factors, with the sales budget setting the pace for the business and the production budget setting costs. These factors are also very important in budgeting at the first line level of supervision, since they establish the level of activity or the work to be done. However, variable budgeting tends to reduce the need for sharp forecasting of these factors and at the level of first line supervision permits greater relative emphasis on the expense budget.

FOREMAN EXPENSE BUDGETS SHOULD CONTAIN A TARGET IMPROVEMENT ELEMENT

In overall budgeting, expense budgets should help to control costs, although purists may argue that the budget must be entirely realistic, that there is no place in it for the target element and that, if expense or other cost reduction targets are to be set up, they should not be handled through the budget system but through other measurement media. This, in effect, makes the budget essentially a planning, rather than a control, tool.

Certainly the overall budget has great importance as a planning device. However, at the level of first line supervision, the control aspect becomes relatively more important and undoubtedly predominates.

Industry has made good progress in establishing means for measuring the cost

of material and direct labour against standards. However, it is much more difficult to establish scientific standards for expenses. In the absence of sharp standards, it usually becomes necessary to establish the budgets on a basis of past experience plus a target improvement element.

While the target element is somewhat difficult to deal with, we feel it is essential to any budgetary control program. We take the position that our people have a great capacity to improve in effort, ingenuity and efficiency under proper stimulus. However, we also recognize that good judgment is essential in dealing with the target element when it is included in expense budgets.

Two rules must always govern:

- (1) The inclusion must be reasonable and such that, if the target is not achieved, the overall plan of operation will not be impaired.
- (2) The inclusion must be either volunteered or unreservedly agreed to by the individual held accountable for the budget.

ALLOW TIME FOR THE REVIEW AND APPROVAL PROCESS

In budgeting for the overall business, three points must be observed:

- (1) Build the budget up, then break it down
- (2) The budgets must be approved
- (3) Allow time to budget

These points are all related to the activity of finalizing the budgets, including review, discussion, revision and final approval, and they are integral to the plan for first line level supervision.

The activity of reviewing budgets with first line supervision is invaluable as a means whereby management can obtain an understanding of the problems of the operating areas. Furthermore, it is absolutely essential as the means whereby foremen will obtain an understanding of the overall plans of the business and their own part in the plans; thus they identify their own objectives with broader overall goals.

The review and approval activity will, of course, vary greatly with each situation but in all cases the budget should be the supervisor's budget and not one forced down from the top. There will, of course, be cases where individual budgets when initially prepared do not meet acceptable overall objectives. When this happens, management and supervision must jointly work out ways to establish individual objectives which fit into the goal of the business. This activity of searching together to achieve rapprochement at all levels is important communications work requiring skill and patience. It must not be allowed to suffer through lack of time.

So far I have dealt mainly with general principles. Before covering the final point, of a more philosophical nature, I am going to outline briefly the specific system set up for our manufacturing operation at Peterborough.

AN OUTLINE OF OUR BUDGETARY CONTROL SYSTEM

The basic concept of our system, called conversion costing, is the determination of the total cost of converting material into finished product.

Included in our conversion costs are direct labour, indirect manufacturing expense

and waste or spoilage losses. The cost of direct material is not included in this measurement.

Since the plant is essentially a job shop operation, we are unable to relate conversion costs to a physical unit of product output which is the ideal. As a substitute, we use productive labour hours and this is working out quite well.

In our reporting system we have tried to balance simplicity with informativeness. Each foreman is given a monthly report setting out main classifications of his conversion cost broken down into productive labour, excess labour, spoilage, selected expense classification for controllable expenses and an assessment for fixed expenses. Each of these items is reported against a variable budget.

Simplicity is achieved by the exception principle. At the bottom of each report the total conversion cost rate per hour is shown against a variable budget rate. A simple chart of the performance to budget is maintained in each foreman's office.

We emphasize that the single figure of conversion cost is the key and as long as all areas are reasonably in line with their budgeted rates, the overall costs of operation will be in line with the total cost objectives of the business. The details provided are intended primarily for use in explaining deviations from the total. Management is urged to operate on the principle of asking for explanations only if total conversion cost rates are not on target.

About 100 conversion cost reports are issued monthly. By using an electronic computer for the job, we save considerable clerical expense and are able to get the report out a week earlier than if it were done manually. It takes but a few hours to calculate, run and print the reports, giving month and year-to-date actuals, and to automatically calculate variable budgets for the various levels. The computer earmarks individual items varying more than ten per cent from budget.

BUDGETARY CONTROL — A COMMUNICATION MEDIUM

In my earlier paper, I stated that participation was the key to success. In the case of first line supervision, not only is the foreman's positive and enthusiastic participation vital to the program's success, but the program itself at this organizational level can be an important communication medium for lifting employee morale.

The important part the supervisor can, and must, play in industry has been rather overlooked in recent years. Under the semi, and to some extent, pseudo-competitive conditions of the post-war years, industry has not been so dependent upon individual efficiency, team play, and the participation of every employee. With our economy becoming rapidly more competitive again, the part the foreman can play in helping to win participation must receive top billing.

Our free way of life may some day depend upon management and men in industry working together as a team. Budgetary control for first line supervision can be a positive factor in helping us attain this objective.

For further reading

BRINGING THE BUDGET TO BEAR ON OPERATIONS, by Herbert T. McAuly, N.A.A. Bulletin, January 1956.

PROCEDURES TO MAKE THE BUDGET WORK, by G. W. Frank, N.A.C.A. Bulletin, July 1956, Section I. CONTROL BY BUDGET, by J. L. Peirce, The Controller, July 1957.

Profit Pointers . . .

UTILIZATION OF PUNCH CARD ACCOUNTING IN CREDIT CONTROL

Installing a punch card system in our credit department gave us greater control over operations and more readily available accounting information. Here is how our system works: When our invoices are printed on the tabulator, a summary card is simultaneously produced giving the following information: Invoice date, invoice number, invoice amount and code number of the customer. This is retained in the tabulator department as the official accounts receivable ledger card but the reproducer is used to make a duplicate set of invoice summary cards each day, on one end of which it also prints the code number of the customer and the amount of the invoice for easy identification. This duplicate card now becomes the "invoice card" for our credit department ledger.

This ledger is divided according to our five districts. Each district is filed numerically by sub-districts, with the customers filed alphabetically in each sub-district. The customer's name, address and code number are punched on a tab heading card with their invoice cards filed immediately behind the customer heading card. A special card (with index tab) is used as a permanent heading card for each customer. It has the following information punched in it:

- 1—Customer's name
- 2—Address
- 3—Code number

Also, the following information is typed on it by the credit office:

- 1—Credit limit
- 2—Special instructions i.e. Special mailing
Caution remarks

Invoice cards are received daily from the tabulator department and are hand-filed into the accounts receivable ledger behind the customer heading card. This could be done mechanically but we prefer to scrutinize the file at this point.

When an order is received from the traffic department for "credit okay" the procedure is as follows:

- 1—Customer card is located in file.
- 2—Credit is granted according to credit limit and an orange card with the punched notation "order approved" is inserted behind the customer card. Each orange card represents an outstanding order approved for each customer. The card is deleted from the file when replaced by the invoice card.

When cheques are received in payment of accounts receivable, the invoice card covered by the cheque is removed from the ledger.

Each Friday the tabulator department takes the credit department file and, with-

out sorting, runs off a summary sheet listing all outstanding items with the following set-up:

Customer Name Customer Code Invoice No. Amount Cr.

This summary serves as a quick follow-up for past due invoices. It also gives us a weekly aged trial balance of the accounts receivable ledger.

One copy of the weekly summary of open invoices is mailed to the district sales office so that the district sales manager has, each Monday, the status of all accounts as at the preceding Friday.

TECHNICAL INFORMATION POOL

To save its personnel thumbing through endless publications for news of the industry, Chicago Rawhide Manufacturing Company publishes a regular bulletin summarizing in handy capsule form all the current information on technical developments, as well as company news and recommended reading.

The information is categorized in telegraphic style under alphabetical subject heading such as adhesives, automotives, bearings, etc. Each item is followed by a brief reference to source, date of issue and page number.

The service is not expensive since most of the material is clipped directly from the respective publications, assembled, and photostated, thus necessitating little time and effort. At the cost of one employee's part-time work, much wasted time and duplication of effort is avoided in the upper, management echelon.

MINIMUM ORDERS CAN PAY

To make minimum orders profitable, the American Booksellers Association and the American Book Publishers Council have jointly developed a Single Copy Order Form combining on one sheet purchase order, shipping label and a cheque for the payment. The latter is blank, with space for the retailer to stamp his own name and that of his bank before filling in the amount. The forms are produced in triplicate; one to be torn apart and processed by the publisher, the second for his records, and the third to be retained by the bookseller. The forms are sold in pads by ABA to its members. Over 150 publishers have agreed to accept them as paid cash sales—many at an increased discount, reflecting the ease of handling.

OBITUARY

With deepest regret the Society announces the death of Eric S. Moore, Secretary of the St. John's Chapter. Mr. Moore died suddenly on March 2nd following a brief illness.

He had been employed with Brookfield Ice Cream, Limited for some years and was Cost Accountant there at the time of his death.

A member of the Society of Industrial and Cost Accountants of Newfoundland since 1952, Mr. Moore was an active and enthusiastic supporter of the local chapter.

The S.I.C.A. of Canada joins with the St. John's Chapter in expressing its sympathy to Mr. Moore's family.

SAVINGS IN SAFETY*

*By Francis C. Reif,
Manager, New Westminster Division, Alaska Pine &
Cellulose Ltd.,*

New Westminster, British Columbia.

Every year, more than half a million industrial accidents cost Canadian employers more than 100 million dollars in direct, and even more in indirect, costs. Why this waste occurs and how it can, and is, being prevented is the subject of this article by an author whose company has reduced its accident frequency rate to less than a quarter of the provincial average for the industry.

Safety has many aspects, but safety is indivisible. We cannot look at safety merely from the cold, calculating viewpoint of finances, but must consider the person involved. We cannot, and must not, forget that the persons who are hurt, maimed and killed are human beings. Accidents do not only happen to the other fellow. We are the other fellow and are not immune. Accidents are not an act of God. They happen because of human failures and they are preventable.

Accidents are costly. Accidents are a potential enemy, not only to industry but to our whole society. Let us take a look and size up this enemy of ours.

ACCIDENTS TAKE COSTLY TOLL

In British Columbia alone, accidents cause more than 1,000 fatalities every year and cost the people of the province over 100 million dollars annually. In the age group one to 45 years, accidents cause more deaths than all diseases combined, including cancer, polio, T.B. and heart diseases. Out of the 1,000 fatalities per year, industry is responsible for about 250 and traffic for about 250 more. More than 50% of the fatalities in British Columbia occur in homes and at recreation.

But British Columbia, unsafe as it is, is not very much worse than the rest of our continent. In the last few years, every single year, on this American continent, our arch-enemy accident has hit and destroyed a city the size of Vancouver; over 100,000 people dead, all the other citizens of this imaginary city hurt, many of them seriously enough to impair them for life. And the cost — untold billions of dollars, even if we could compensate for the suffering.

We know from statistics that, nowadays, more accidents occur on the roads and highways than at work, and more occur in the homes and at recreation than in industry. The total accidental deaths, by example, are five times the number which

* An address given before the Vancouver Chapter of the Society of Industrial and Cost Accountants on February 13, 1958.

MR. REIF joined the New Westminster Division of Alaska Pine & Cellulose Ltd. in 1939 and has been manager for the past ten years. Born in Czechoslovakia, he studied commerce at the University of Vienna and learned lumbering in various European sawmills. Always active in his company's accident prevention program, Mr. Reif has seen his plant win several national and international safety awards. He is a member of the American Society of Safety Engineers, and Safety Committee of the B.C. Lumber Manufacturers' Association, and vice-president and director of the B.C. Safety Council.

occur at work. As a workman injured off the job can disturb schedules just as much as one injured on the job, management should have a definite interest in off-the-job safety as well. Accident prevention really should start in the home, with parents setting the correct example for their children; for our behaviour at home and our attitude to safety at work are inter-related. Furthermore, there should be more safety education in our schools, more general safety education at all age levels.

Industrial Safety Progressing

But here we are primarily interested in industrial safety and the savings therefrom. In this field, great things have been achieved in the past decade. For example, in the mid-1940's at the New Westminster Division of Alaska Pine & Cellulose, our accident frequency rate — the number of compensable accidents in one million man hours worked — was still over 100. For the last three years now our frequency rate has been below ten. The average frequency rate last year for sawmills belonging to the B.C. Lumber Manufacturers' Association was about 20; the average rate for all sawmills of British Columbia was still over 40.

In spite of the great improvement, more than half a million industrial accidents still occur each year in Canada. The total cost of medical aid and compensation alone exceeds 100 million dollars per year, paid for by the employer.

Improvements in industrial accident and injury prevention have been achieved through a sound safety program and in full co-operation between management and labour. A safety program is a planned series of activities aimed at eliminating all preventable work injury. There is no doubt that effective accident prevention is a matter of top management concern and is closely tied in with all aspects of production. An injured workman is a double burden on society. Firstly, because of the cost of compensation that must be paid. Secondly, because his services — often skilled, efficient services — are lost to industry. The prevention of accidents is the fourth stage in the development of our moral responsibility. In the first stage, disabled workmen were left to die or beg. The second stage found an advancement in hospital and medical care. The third stage brought a system of compensation to aid the physical and financial recovery of the accident victim. Only in this fourth stage, the prevention of accidents, has attention been directed to the cause. The other stages merely dealt with the result.

Importance of a sound Safety Program

Accidents are mistakes. They slow production. They hurt public relations. This is what Professor Weaver of Purdue University, Lafayette, Indiana, has to say about that subject: "A good safety record is a reflection of good management. It is almost without exception a sign of a well-organized, efficient operation."

What are some of the basic elements of a sound safety program? Well-guarded machinery, good housekeeping, personal protective equipment, prompt first aid and medical treatment, records of first aid, lost time and compensation cases, of the amounts paid annually to the Workmen's Compensation Board and any other monies spent by the company, or lost by the company, because of accidents. Furthermore, there should be plans for arousing the interest of workers through contests, meetings and other media, and for teaching, supervising and placing of workers by the foremen. Foremen and supervisors, on their part, should be taught the fundamentals

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of accident prevention and methods for their application.

What does a safety program cost? Very little, when you take into account the cost of accidents and determine what it means to avoid them. The average cost of an accident in the lumber industry in British Columbia last year was more than \$1,000. This figure is only the amount paid out by the Compensation Board; it does not include the hidden costs which have been established at four times as much.

Savings in Safety

If success is to be achieved in accident prevention, the responsibility rests with top management. Now management is vitally interested in anything that involves profit and loss, but where are the savings in accident prevention, however necessary it may be? If management is not interested in safety, somebody has failed to show management the meaning of safety in business terms. Here are two actual examples from my own experience, using round figures:

- (1) This is a large sawmill in British Columbia. Some ten years ago this sawmill had a demerit rating with the Compensation Board of 23%. On its assessment of \$60,000, this 23% meant an additional cost of \$14,000 per year.

An active safety program was instituted and after four years the demerit rating had been cancelled. During those four years, though, the demerit had cost the management an extra \$50,000 in assessments.

During the last five years this sawmill has had a merit rating of 16%, meaning, on the \$60,000 assessment, a yearly saving of \$10,000.

In 1946, because of demerit, an additional assessment of \$14,000; in 1956, because of merit, a reduction of assessment of \$10,000; a difference of \$24,000 per year.

- (2) Several years ago, a large lumbering concern in British Columbia operated one of its logging camps, which had a Compensation Board assessment of \$30,000, with a 27% merit rating. This meant a saving of \$8,000 a year.

At that time, the company let a contractor take over the logging operation. This contractor had no safety program. He managed to lose the merit rating and when, after a few years, the company resumed operations itself, the camp was under a demerit rating of 30%.

At this time the operation was enlarged and the crew increased from 70 to 220 men. The Compensation Board assessment now was \$70,000 a year. The previous merit rating of 27% would have meant a reduction in assessment of \$19,000 a year. With the existing demerit rating of 30%, an additional \$21,000 a year had to be paid. A few years without active accident prevention cost this logging camp \$40,000 in the first year of its enlarged operation.

These are quite impressive figures. And this was money that was paid by the company to the Compensation Board, amounts which appear and are traceable in the books.

What Are the Hidden Costs?

Previously, I mentioned hidden costs, known to be four times as much as the actual visible costs. What are these hidden costs and how can we explain them to management?

Let us think for a moment of an iceberg. What we can see of an iceberg above water is, as we know, only a small part of it. The greater mass of the iceberg is hidden below the water. So are most of the hidden costs in accidents; most of them you will not be able to see in your accounts.

For example in a sawmill not long ago, a carrier went through a timber railing, fell down about ten feet and turned over. The driver was lucky; he walked away from the accident with only a few scratches. The cost of the injury was below \$100; the cost of repairs amounted to \$1,900.

Here you have one of the hidden costs: repair of damage to equipment and buildings. Another substantial hidden cost is loss of production. Sometimes reduced production can continue for several days or even weeks due to overcautiousness on the part of workers after an accident has occurred. Inexperienced replacement for the injured workman can also result in loss of production. Deterioration of quality and excessive waste further contribute to this hidden cost.

Accidents have to be investigated and reports have to be made up. All this takes time and is a definite expense.

Repeated accidents will slacken the general efficiency of the crew; it will result in a poor standard of workmen because the good worker, certainly would rather be employed in a clean plant with an efficient safety program. A high accident record will also result in poor public relations.

Now that we have talked about the hidden costs of accidents, here are two further examples which were used a few years ago by Professor Rosenstein of Loyola University in Chicago:

- (1) An American paper company in Michigan. \$27,000 direct cost of accidents in 1954. \$108,000 indirect cost of accidents that year. \$135,000 total cost. At 5%, which this company earned, this company had to do \$2,700,000 worth of business that year to pay for the cost of its accidents.
- (2) An American power company in Pennsylvania. \$49,000 direct cost of accidents in 1954. \$196,000 indirect cost of accidents that year. \$245,000 total cost. At 5%, which this company earned, it had to sell \$4,900,000 worth of its various services to pay just for the cost of its accidents during that year.

Conclusion

We have been trying to find savings in safety. What we have found is that the costs of accidents are very considerable, involving millions of dollars. We have also found that accidents are preventable. There can be no doubt then that there are still potentially great savings in safety.

In conclusion, let me repeat that a successful safety program in industry has to have top management's support. There is a statement on safety policy which many years ago was given by our president to all levels of management and I quote: "It is the policy of Alaska Pine & Cellulose Limited that the safety of his employees shall be the supervisor's, and the manager's, number one responsibility . . . ahead of production, maintenance, quality of product, costs, or any other phases of his responsibility. Not only is it most important from a production and efficiency angle . . . it is our moral responsibility, to each and every employee, and his family, to assure them the protection of an active and productive safety program."

The Economic SCENE . . .

by W. Allan Beckett

TRENDS IN INTERNATIONAL COMMODITY PRICES

World commodity markets underwent a fundamental transformation during 1957. For the first time since 1945, effective world demand for industrial raw materials and basic foodstuffs could be met in full without reliance on sub-marginal sources of supply. This new supply-demand relationship developed when prices for some commodities were artificially high and at a time when cautious buying policies on the part of consumers had emerged. The consequence was a marked downward drift in world commodity prices as the year progressed.

Ample productive capacity and agricultural disposal programs were the main influences on commodity prices during 1957. The closure of the Suez Canal for roughly the first five months of the year, deflationary monetary policies, tariff measures and even the emergence of an economic recession in the United States were secondary factors. The true significance of the Suez crisis for instance—in the sphere of world commodity prices—was that it had so little enduring effect, underlining that basic material prices in 1957 were to be ultimately defined by the state of the individual markets and not by extraneous events.

BASE METALS

Among the metals, spectacular price declines occurred in copper, lead and zinc. Copper prices, which were 46 cents per lb. in June, 1956, fell to 36 cents by the year end and, by August of 1957, to 27 cents. Currently the price is a wavering 25 cents, having declined a further two cents in mid-January. Lead, at the beginning of 1956 was 15.8 cents per lb., a price which held until April, 1957. Two months later the price slipped to 13.8 cents per lb. and in December to 12.8 cents where it stands today. Zinc remained at 13.5 cents per lb. from October 1955 to April 1957; by June it had fallen to 10 cents—the present price.

Nickel prices did not change in 1957, remaining steady at 74 cents per lb., while aluminum rose by one cent in August to 28.1 cents. By the nature of their industries, quotations for these metals are "administered" prices, and not subject to short term fluctuations. It is not traditional to make a series of upward adjustments during a boom, nor to lower prices in a period of deteriorating markets. The firmness of nickel and aluminum prices in 1957 is not therefore a contradiction of the general trend. These metals, particularly nickel, were the last to come into free supply, and nickel grey market prices did slip in 1957 while the market for premium nickel (i.e. originally contracted for by the U.S. stockpile authorities at higher than world prices) shrank visibly during the year. Production cutbacks in the aluminum industry reflected weakening demand.

STEEL

The composite steel price moved slightly upwards during 1957 as did quotations for

rolling mill products. This resulted from labour contract terms which involved additional payments to workers from July 1957 onwards. It does not, however, preclude actual declines in mill prices. Freight rate absorption is a common device in the steel industry for maintaining a measure of price flexibility within a rigid quotation. There is not much doubt that this practice is general in the present condition of the steel market. Scrap prices have held steady at the relatively low price of \$33 per ton since late in 1957.

Tin prices were temporarily inflated in early 1957 in consequence of the closure of the Suez Canal, and lately have derived artificial support from the restrictions on the current export surplus imposed by the International Tin Council, which probably accounts for a current strengthening in tin prices that had previously fallen steadily.

FOREST PRODUCTS

Among the forest products, newsprint, like nickel and aluminum in the metals group, is basically priced "administratively" and is similarly free from short term fluctuations. The overall price for newsprint was slightly higher in 1957 than in 1956 due to the spot price increase in March, 1957, from \$130. to \$134. per ton—modified in the case of Canadian producers by the discount on the U.S. dollar. Increased capacity, growing producer and consumer stocks, and slackening demand were characteristic of the market for newsprint in 1957 despite maintained prices. Similarly, even though pulp prices were increased by \$5. a ton in the last quarter of 1957, market weaknesses, like those for newsprint, emerged during the year.

Lumber prices in 1957 declined between four and five per cent from the 1956 average as shrinking markets in both the United States and West Europe coincided with more intense competition from the Soviet Union and Scandinavia and, during the early months of 1957, prohibitively high cargo freight rates.

FIBRES AND TEXTILES

In the basic textiles, raw wool prices declined by 15 to 20 per cent between the opening of the auction season in late August and its close a little before Christmas. Buyers were not forthcoming and there was growing evidence of a decline in world wide consumption. Cotton prices were fairly well maintained despite a price cut in Egyptian reserve quotations and declining world consumption, mainly because of progressively lower estimates of the U.S. cotton crop, due to adverse climatic conditions.

OTHER COMMODITIES

The wide fluctuations in rubber prices during 1957 were largely inspired by political events: the Suez closure early in the year and, later on, political events in Indonesia. At the end of December 1957, rubber prices were 25 per cent below prices a year earlier. This is, however, a quiet trading period and response to the increasing gravity of the Indonesian situation would doubtless have been sharper but for the low seasonal demand.

The generally downward and weakening trend of these commodity prices during

1957 extended to most others—to virtually all cereals, sugar, cocoa, coffee and tea. Oilseeds, except soya beans, did tend to harden in price towards the end of 1957, due to poorer harvests in Canada, political events in Indonesia and increased seasonal demands.

The conclusion, which the occasional exception cannot conceal, is that commodity prices in general went through a substantial decline during 1957. What their future course may be is necessarily conjectural.

Although statistical proof is not yet available, it is fairly certain that world consumption levels of the basic commodities in 1957 showed very few sizeable declines. The cautious buying policies followed by consumers in 1957 may often have been over-cautious, allowing stocks to fall below normal minimums, as is suggested by increasing entries into the commodity markets—even though still mainly for short term commitments. Given the current supply-demand relationship therefore, world consumption of basic materials would have to decline quite seriously in 1958 for the overall commodity price level to fall much below that prevailing at the close of 1957.

The outlook for 1958 is then the reverse of that at the opening of 1957. In the earlier period the existence of oversupply in almost all major world commodity markets meant that, regardless of any foreseeable extraneous factors, prices would inevitably decline. Today the dynamic influence on prices will be that of extraneous factors, in particular the course of economic developments in the United States. Unless the recession proves to be more severe than presently anticipated, price movements should be relatively moderate during 1958.

The "administered" prices will probably remain unchanged; copper, lead and zinc quotations almost certainly will be lower if tariff impositions are enforced by the United States; textiles and beverages are likely to fall, rubber and tin prices are dependent on political events. Cereal prices will be related to surplus disposal policies which may be more moderate in scope this year than last.

It would, however, be unrealistic to assume that even a substantial upturn in American economic activity would involve an appreciable strengthening in basic commodity prices. There is a large reserve of capacity in nearly all industrial materials which makes postwar historical parallels of little value. Prices are being determined at present by the true conditions of their respective markets and unless these are interfered with, will continue to be so. The present conditions of these markets in general indicate a relatively accurate relationship between price and supply and demand. Although some fluctuations will no doubt occur, no substantial overall movements appear likely in 1958.

OBITUARY

The Society notes with regret the death of J. Edward Taylor, a General Member and Director of the Kent County Chapter. Mr. Taylor died suddenly on Jan. 30th.

A member of the Society of Industrial and Cost Accountants of Ontario since 1950, Mr. Taylor had taken a keen interest in chapter activities since that time and had been a Director of his chapter for several years. He was Office Manager of Sunnen Products Ltd., Chatham.

To his family the Society extends its deepest sympathy.

FINANCING OF SMALL BUSINESS*

*By Harold J. Egan,
Consultant Chartered Accountant,
Halifax, Nova Scotia.*

If small business is to survive under the growing pressure of unsympathetic economic conditions, greater consideration must be given to its needs. The procedures to borrow money must be simplified. Greater tax concessions must be made. Advice and technical assistance must be more readily available.

The small business has occupied and must continue to occupy an important position in our economy. Its existence and continuation in a healthy condition is important in our everyday life from the point of view of convenience and necessity. Small businesses are even more important from the political and social point of view. The ambition of the individual to own his own business some day has always been paramount in our thinking and must be encouraged as part of our way of life.

During the past 25 years we have been living in a rapidly changing economy. The development of our tax structure and Government economic controls has brought repeated warnings that many of these measures are having such an adverse effect on small business that they seriously jeopardize its expansion and continued existence. More serious is the change that these policies are destroying the incentive of people to go into business for themselves when faced with the difficulties of financing such enterprises. There are rewards and opportunities in going into business for yourself, or in association with a small number of people. It is an undertaking, however, which requires experience and capital. Under our present economic conditions it requires very careful planning for a small business to live successfully.

CREDIT SOURCES FOR THE SMALL BUSINESS

The principal sources of credit available for financing small enterprises may be enumerated as follows:

- (1) The Chartered Banks — Their principal function being to provide working capital loans;
- (2) Sale of Securities — This is usually a difficult and expensive procedure for

* An address given before the Halifax Chapter of the Society of Industrial and Cost Accountants on February 18, 1958.

A commerce graduate of Dalhousie University and a consultant chartered accountant, Mr. Egan has been in private practice since 1933. Simultaneously, until 1949, he lectured in the Commerce Department of Dalhousie University. For five years he was in charge of the Department of Municipal Affairs, Succession Duties and Securities Departments of the Government of Nova Scotia. In 1957 he was appointed secretary-treasurer of Industrial Estates Limited, a Crown Company, incorporated for the purpose of developing industry in Nova Scotia. He is a Registered Member of S.I.C.A. and a director of some 30 companies.

- a small business, and in most cases can only be arranged by private sales to friends and associates;
- (3) Government Loan Agencies — The Industrial Development Bank and Provincial Loan Boards;
 - (4) Mortgage Companies — These institutions loan money on the security of real estate on a long term basis. They provide little assistance to small business however as they are primarily interested in residential real estate loans, and not so much in lending money on commercial properties the uses of which are in any way specialized.
 - (5) Finance Companies — These lending institutions are primarily engaged in financing the purchase of machinery and equipment. They serve a very useful function, but in the majority of cases their interest rates are high and the capital repayments required are very onerous on the small business if a major investment in equipment and machinery is contemplated.

POLICY OF THE BANKS

During the past few years, the tight money situation and the credit restrictions imposed by the Government have had a very marked effect on the position of small enterprises. James Muir, the chairman and president of the Royal Bank of Canada, in his address to the Annual Meeting of Shareholders this year, stated emphatically that the banks were in a position throughout the tight money period to look after the needs of small borrowers. Nevertheless, term loans were not considered by the banks, and arrangements which could previously be made by small borrowers for purposes of capital expenditures were not available. Mr. Muir, however, went on to say that he was baffled when he reads about, and I quote, "the great to-do about scarcity of credit for this sector of our economy, and the fact that Government authorities have become exercised about it." He goes on further to say that when he reads of these things he "cannot escape the impression that the whole case must be grossly exaggerated, or that perhaps without realizing it we may be witnessing an evolution in this field." He continued, "It may be that a fundamental change is taking place in our economy, and that the small merchant is experiencing something that credit cannot help." Mr. Muir further pointed out that since the inception of the tight money policy, officials of his bank had been instructed to deal sympathetically with small business loans. He reports, however, that in spite of the lending policy of his bank, there has been a reduction, not only in the number of borrowers, but also in the amount borrowed in this particular field. He further pointed out that as far as the bank is concerned the credit facilities have been available—its branch managers have known of the bank's policy, and yet small borrowers have not taken advantage of their opportunities to obtain the credit available to them.

ESTABLISHMENT OF THE INDUSTRIAL DEVELOPMENT BANK

The Federal Government recognized the increasing difficulty of small enterprises borrowing capital monies and established The Industrial Development Bank in 1944. The purpose of this organization was to make financing possible for sound

industrial enterprises which were unable to obtain their requirements from other sources on reasonable terms and conditions. The bank was to provide capital assistance to industry, with particular consideration being given to the financing of small enterprises.

When this legislation was enacted the Government made it clear, as a matter of policy, that The Industrial Development Bank was to supplement, and not compete with, other loaning agencies.

When the bank was launched on its career, it was stated that one of its most important functions would be to maintain a technical staff of industrial engineers, lawyers and specialists in the accounting and financial fields, who would assist small businesses in arranging their affairs as well as providing a loaning authority.

THE INDUSTRIAL DEVELOPMENT BANK IN NOVA SCOTIA

A major complaint against this organization was immediately voiced by Nova Scotians because there was not a branch office established in their area. Applications for loans had to be processed through the Montreal Office. Repeated complaints concerning this situation were met with the answer that there was insufficient interest in the bank services to warrant opening an office in Nova Scotia. In 1956 a branch was opened. Prior to this period, loans authorized in Nova Scotia amounted to few hundred thousand dollars a year. In 1954, not a cent was loaned in Nova Scotia. When we look at the Report of The Industrial Development Bank, however, for the year ended September 30th, 1957, we find that loans for Nova Scotia alone amounted to \$1,060,000. The borrowings by small businesses in Nova Scotia and the great increase in the use of the facilities of The Industrial Development Bank in 1957 by Nova Scotia enterprises clearly show the necessity of the loaning authority being closer to the people who require its use and assistance.

Before making a formal application for any loan, it is advisable to discuss informally the needs of the business with the technically trained officers of the lending institution. *

The small businessman requires closer personal contact with the loaning authority than the larger enterprise which can afford to retain technical personnel to arrange its financial affairs. It is clear that one branch of the Industrial Development Bank in Nova Scotia does not, and cannot, meet the needs of small industry. The branch is located in Halifax, which is quite remote from the point of view of small businessmen conducting their enterprises in many places in the province. It would appear to me that, if proper service is to be given, some closer form of contact must be arranged, so that the facilities of this bank can be made more readily available to the owners of small businesses. Imagine trying to conduct current banking with branches of our chartered banks located only in Halifax! Perhaps the solution of the matter lies in greater co-operation, or, perhaps I should say "some" co-operation between the chartered banks and the Industrial Development Bank. It might even be feasible for capital loans to be processed by our chartered banks through their numerous branches in the province, and loans underwritten by the Industrial Development Bank.

In the provincial field, the Governments have also recognized that there is a

real problem for small enterprises as far as financing is concerned, and loaning agencies have been established by these authorities to assist such business.

GREATER CONCESSIONS FOR SMALL BUSINESS

Apart from the establishment of the Industrial Development Bank, the Government of Canada has recognized the impact of its fiscal and economic policies on the financing of small businesses in other ways. Usually small businesses begin with a small amount of capital and rely for expansion on turning back into the undertaking profits which have been earned from the business. A concession has been made and extended to permit a lower rate of corporate tax on earnings of small business. This feature of our taxing system is of paramount importance to the small business. The principle has been recognized and established and should be further extended.

The question of accelerated depreciation for small businesses should receive the attention of the legislative authorities. Where small businesses are forced to purchase and finance machinery and equipment, there should be a closer relationship between the deductions that can be claimed from earnings for depreciation and the capital repayments required in order to finance the acquisition of such assets. In my opinion, it is essential that special consideration be given in the interest of small businesses to granting depreciation allowances that coincide more closely with the cash requirements involved in the acquisition of new plant and machinery. Such concessions would materially assist the financing of small businesses in budgeting for the purchase of capital assets against their cash flow and retained earnings.

An important feature of planning the financing of a small business is an adequate insurance program, so that the assets which the business has as security may be used to best advantage. In presenting the case for a long term loan, or for that matter short term borrowing as well, an adequate insurance program is essential. I refer in this connection, not only to life insurance and the protection of capital assets against fire and other casualties, but what is becoming of increasing importance, the providing of business interruption insurance.

I am satisfied that the small businesses can adjust their affairs to existing conditions and we need have no fear for their future. We agree that burdens have been placed on the small business man as a result of the economic and social evolution taking place in this country. These changes are here to stay and the small business man must learn to grow and expand in this framework.

It is clear that greater assistance can be given to encourage the small enterprises in our economy; it is equally clear that in financing these smaller businesses many of their more serious problems can be solved by technical advice and assistance. The problem is with us; I am confident however, that the voice of the small business man will be heard.

For further reading

BUSINESS DEVELOPMENT AND NEW FINANCING, by J. G. Chaston, Cost and Management, July-August 1957.

CAPITAL FINANCING FOR A GROWTH PROGRAM, by Trevor F. Moore, Canadian Chartered Accountant, March 1958.

Books in Review...

PEOPLE AND PAY CHEQUES

By Department on Organization, Standard Oil Company of California, 225 Bush Street, San Francisco, Calif. pp. 74.

Reviewed by J. M. Parker, B.A.

In this lucid and brightly-illustrated little book, a major oil company strips the mystery from pay determination. Primarily intended for distribution to the company's supervisory personnel and personnel pay specialists, the book will undoubtedly be of interest to everyone concerned with pay administration and to students and educators in the field of business administration everywhere.

The work reviews the pay plans evolved by Standard over some 35 years and the principles underlying them, which are singularly straightforward and consistent.

The process of setting equitable pay scales begins with job analysis and, says the book, this is the time to reorganize and coordinate the individual jobs. From this point follows the writing of job descriptions and along with general advice on this, the book gives some handy examples of job descriptions.

Then comes a more involved task — arrangement of job values on an ascending scale by factor comparison with each other and through exchange comparison with major competitors. The book describes in detail how this is done in each operating area and what test checks are made to ensure the accuracy of the results.

From this study, the company develops pay structures based on flat rates, time-progression ranges and merit ranges. It remains to establish a pay range for each job level, adjusting the competitive averages to provide evenly-progressing pay differentials between jobs. This the plan does, leaving sufficient flexibility for outstanding merit.

The book stresses that pay administration is a continuing job, since jobs and job values change continuously, pay levels change, and internal and economic conditions vary from place to place and from time to time.

The complexity of the industry's operations calls for variations of the overall plan in certain occupational sectors and special chapters in the book are devoted to the determination of pay for service station salesmen, personnel of seagoing vessels, scientists and technicians and for service in foreign countries.

Another chapter is given over to a description of the decentralized organization of pay administration at Standard. Responsibility for administering the plan lies with supervisors and managers in each operating area, working within the broad framework of company policy. Assisting this line function with advice and research, are organization staffs in the operating areas and at central level, the Department on Organization.

As was mentioned, this book is intended for supervisors and pay personnel and in its brief 74 pages does not attempt to make a detailed study of the subject. What it does provide is a clear and vivid exposition of pay policies, structures and procedures in the company, candidly presented, and developed logically in the text from precisely-stated general principles.

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